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PERFECT FRY

REPORT 2000

CORPORATION



CORPORATE PROFILE

Perfect Fry Corporation is a public company headquartered in Calgary, Alberta, Canada. The aggressive pioneer spirit is a cornerstone in Perfect Fry's entrepreneurial quest for success.

The company manufactures counter-top deep fryers with built-in air filtration and fire prevention systems. The super efficient Perfect Fry is slightly bigger than a microwave oven.

Perfect Fry's market niche is fast food retailers who sell popular tasty deep fried foods at snack bars, food kiosks, sport & recreation outlets, concession stands, and convenience stores.

Perfect Fry's main sales force is an international network of independent distributors and dealers supported by targeted marketing and sales promotion programs.

Perfect Fry offers investors the basic elements for equity growth.

- Experienced management, with incentive to succeed.
- Dedicated employees with a stake in the company's future.
- Proven products serving a strong consumer demand: patented and continuously updated by research and development.
- A rapidly expanding distribution network.
- Access to capital to finance rapid growth.
- A production, marketing, distribution plan that is carving a profitable niche in the immense world-wide fast food industry.

2000 HIGHLIGHTS

- 1) Record gross revenue reported for second year in a row.
- 2) New Director appointed.
- 3) Increased attention received from chains.

The Little Big Guy

big capacity
big profits
small price
...small wonder

This .45 lb. per hour powerful performer provides a rapid return on your investment. Let our reps show you the road to profits you never thought possible.

the countertop deep fryer

PERFECT FRY COMPANY

1-800-265-7711 • www.perfectfry.com

ANNUAL MEETING

Perfect Fry Corporation's Annual Meeting for fiscal year 2000: April 23, 2001 at 9:00 a.m. at 3700, 30th Floor, 237 - 4 Ave SW, Calgary, Alberta, Canada.

STOCK EXCHANGE LISTING

Perfect Fry Corporation, symbol PNM, is listed on the Canadian Venture Exchange.
USA 12G3-2 (b) Exemption Number 82-1609.

Letter From The Chairman And President

In 2000 Perfect Fry Corporation for a second year in a row reported record gross revenues. While results came in under second half projections, overall revenues for the year increased by five percent over 1999 despite a difficult market in the second half. Accordingly, we have made some important changes to the organization in order to deal with these events.

Perfect Fry Corporation has continued to develop and strengthen the distributor relationships we currently enjoy. We are pleased to report that one of our most successful distributors has agreed to join our board, and we now have in place an outstanding husband and wife team to lead our marketing in the United States that is both resident in the US and with an exceptional record of success. Greg and Vickey Aguirre have joined Perfect Fry as Vice-President, Sales, US. While a resident team in the U.S. cannot provide guarantees against future market downturns, it will ensure our industry-leading product the priority it deserves in the distribution channels. Our sales in the second half did not reach expectations due in large part to distributors, who handle other products as well, being motivated by other manufacturers to give their products a higher priority. These manufacturers also felt the effects of the economic downturn in the second half. We recognize our task in the future is to ensure our products are aggressively positioned as the newest and most innovative product in the market place.

As noted, we have also strengthened our Board of Directors with the appointment of Gord Sigurdson, a well-experienced distributor for Perfect Fry, effective in June of this past year. Gord's strong long-term working relationship, exceptional sales results of Perfect Fry and

commitment to the product, makes him a positive addition to our Board. Gord also brings knowledge and contacts both nationally and internationally to the Company. Gord's knowledge and credibility with Perfect Fry, and the credibility of the product both in the marketplace and with our distributors helped the Company attract our US sales team.

During the year, the Company made encouraging progress in promoting sales to large accounts with the installation of test fryers across the US. These are major markets that could place heavy demands on our production capacity. Accordingly, the Company has increased its inventory of various models to ensure that the Company is able to meet, at least initially, the expected increase in demand and to give us time to gear up production volumes.

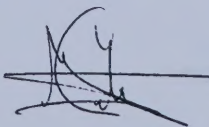
As a small company marketing an industry-leading product, we believe it is imperative that our quality be without equal. I am pleased to report that to end, the Company's research and development this past year improved both the quality and the reliability of the Perfect Fryer. To emphasize our commitment to quality, in Fiscal 2001 we will be adjusting our warranty to emphasize our unparalleled product leadership.

The superior quality of the fryer, its capacity to do the job and the compactness of the design continues to surprise prospective customers, and please those who purchase the Perfect Fryer for the consistent, high quality product it produces, as well as for its reliability and safety. Our thanks to the staff and suppliers for their exceptional job in providing and supporting our superior product.

On behalf of the Board,



Jack Senior
Chairman



Gary Calderwood
President and CEO

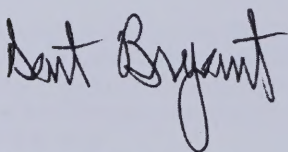
AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Perfect Fry Corporation as at October 31, 2000 and 1999 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The prior year figures were reported on by another auditor.

A handwritten signature in black ink, appearing to read "Kent Bryant". The signature is fluid and cursive, with the first name "Kent" and last name "Bryant" clearly distinguishable.

Chartered Accountants

Calgary, Canada
December 15, 2000

PERFECT FRY CORPORATION

CONSOLIDATED BALANCE SHEETS OCTOBER 31, 2000 AND 1999

	2000 \$	1999 \$
ASSETS		
CURRENT		
Cash	-	18,602
Accounts receivable	378,026	409,091
Inventories (Note 2)	1,522,546	957,060
Prepaid expenses	6,249	26,652
	<u>1,906,821</u>	<u>1,411,405</u>
CAPITAL (Note 3)	170,823	168,185
DEFERRED PRODUCT DEVELOPMENT COSTS (Note 4)	708,151	736,830
	<u>2,785,795</u>	<u>2,316,420</u>

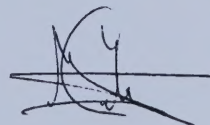
LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Bank indebtedness (Note 5)	309,961	-
Accounts payable and accrued liabilities	319,599	366,554
	<u>629,560</u>	<u>366,554</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	1,461,471	1,433,471
Retained earnings	694,764	516,395
	<u>2,156,235</u>	<u>1,949,866</u>
	<u>2,785,795</u>	<u>2,316,420</u>
Commitment (Note 7)		

ON BEHALF OF THE BOARD:



Director



Director

PLEASE SEE NOTES

PERFECT FRY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
YEARS ENDED OCTOBER 31, 2000 AND 1999

	2000 \$	1999 \$
REVENUE	2,593,912	2,475,406
COSTS AND EXPENSES		
Operating, selling and administrative	2,203,418	2,175,646
Interest	37,107	18,123
Amortization		
Deferred product development costs	130,410	118,120
Capital assets	44,608	44,444
	<u>2,415,543</u>	<u>2,356,333</u>
NET EARNINGS	178,369	119,073
RETAINED EARNINGS, beginning of year	516,395	397,322
RETAINED EARNINGS, end of year	<u>694,764</u>	<u>516,395</u>
EARNINGS PER SHARE	<u>.02</u>	<u>.01</u>

PLEASE SEE NOTES

PERFECT FRY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2000 AND 1999

	2000 \$	1999 \$
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Net earnings	178,369	119,073
Items not affecting cash		
Amortization of deferred product development costs	130,410	118,120
Amortization of capital assets	44,608	44,444
	<u>353,387</u>	<u>281,637</u>
Changes in non-cash working capital		
Accounts receivable	31,065	17,577
Inventory	(565,486)	(14,503)
Prepays	20,403	2,550
Accounts payable and accrued liabilities	(46,955)	173,958
	<u>(560,973)</u>	<u>179,582</u>
	<u>(207,586)</u>	<u>461,219</u>
INVESTING		
Additions to deferred product development costs	(101,731)	(116,801)
Additions to capital assets	(47,246)	(46,712)
	<u>(148,977)</u>	<u>(163,513)</u>
FINANCING		
Issuance of shares	<u>28,000</u>	<u>-</u>
INCREASE (DECREASE) IN CASH POSITION	(328,563)	297,706
CASH (BANK INDEBTEDNESS), beginning of year	18,602	(279,104)
CASH (BANK INDEBTEDNESS), end of year	<u>(309,961)</u>	<u>18,602</u>
Note:		
Interest paid	37,107	18,123
Income taxes paid	-	-

PLEASE SEE NOTES

PERFECT FRY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 2000 AND 1999

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and those of its subsidiary companies, all of which are wholly-owned.

Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes material, direct labour and overhead.

Capital Assets

Capital assets are recorded at cost. Amortization is provided as follows:

Office and equipment	20% to 30% declining balance method
Leasehold improvements	Straight-line over the term of the lease

Deferred Product Development Costs

Product development costs are expensed to operations unless they meet specific criteria related to technical, market and financial feasibility, in which case they are deferred and amortized on a straight-line basis over ten years. Research costs are expensed as incurred.

The value of the residual unamortized balance of deferred product development costs is assessed at least annually with reference to the related projected undiscounted cash flows.

Income Taxes

In the year ended October 31, 2000, the Company adopted the liability method of tax allocation for accounting for income taxes as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Earnings per share

Earnings per share are calculated using the weighted average number of common shares outstanding during the year.

Measurement uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses during the reporting period. In the consolidated financial statements of the Company, the most significant areas for which management is required to make near-term estimates as in the assessment of the net realizable value of accounts receivables and inventories, the net recoverable value of deferred product development costs and the assessment of the likely realization of future tax assets. Actual amounts could differ from those estimates.

PERFECT FRY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
YEARS ENDED OCTOBER 31, 2000 AND 1999

2. INVENTORIES	2000	1999
	\$	\$
Finished units	587,438	286,887
Parts	935,108	670,173
	<u>1,522,546</u>	<u>957,060</u>

3. CAPITAL ASSETS

	2000		
	Cost	Accumulated Amortization	Net book Value
	\$	\$	\$
Office and equipment	352,531	200,169	152,362
Leasehold improvements	41,641	23,180	18,461
	<u>394,172</u>	<u>223,349</u>	<u>170,823</u>

	1999		
	Cost	Accumulated Amortization	Net book Value
	\$	\$	\$
Office and equipment	308,943	158,493	150,450
Leasehold improvements	37,983	20,248	17,735
	<u>346,926</u>	<u>178,741</u>	<u>168,185</u>

4. DEFERRED PRODUCT DEVELOPMENT COSTS	2000	1999
	\$	\$
Deferred product development costs	1,504,901	1,403,170
Accumulated amortization	796,750	666,340
	<u>708,151</u>	<u>736,830</u>

5. BANK INDEBTEDNESS

The Company has a bank operating credit facility of \$750,000. Advances under this facility bear interest at prime plus 1.25% and are secured by all assets of the business.

PERFECT FRY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
YEARS ENDED OCTOBER 31, 2000 AND 1999

6. SHARE CAPITAL

Authorized

Unlimited number of preferred and common shares.

Issued

An aggregate of 9,788,656 common shares were outstanding at October 31, 2000 after 140,000 share options were exercised in the 2000 fiscal year. There were no changes during the 1999 fiscal year.

Options

At October 31, 2000, 435,000 options to acquire common shares were outstanding with an exercise price of \$0.30 and expiring from time to time up to June 13, 2004 and 140,000 options to acquire common share were outstanding with an exercise price of \$.20 and expiring from time to time up to April 29, 2002. Of the options outstanding, 350,000 were issued to directors and officers of the Company.

The exercise of any of the outstanding share options would not be dilutive to earnings per share.

7. COMMITMENT

The company is committed to future annual operating lease payments for facilities, not including operating costs as follows:

	\$
2001	52,420
2002	52,420
2003	52,420
2004	13,105

8. EXPORT SALES

The Company's sales to customers outside Canada totalled \$1,897,705 in fiscal 2000 and \$1,848,897 in fiscal 1999. Substantially all export sales occurred in the U.S. in 2000 and 1999.

9. FINANCIAL INSTRUMENTS

Financial instruments of the Company include cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities. The fair values of all financial instruments are estimated to approximate their carrying values due to their short-term nature.

PERFECT FRY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
YEARS ENDED OCTOBER 31, 2000 AND 1999

10. INCOME TAXES

In the year ended October 31, 2000, the Company adopted the liability method of tax allocation for accounting for income taxes. There was no material impact on the consolidated financial statements for the years ended October 31, 2000 and October 31, 1999.

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the differences is as follows:

	2000 \$	1999 \$
Net earnings	178,369	119,073
Combined Federal and Provincial income tax rate	44.6%	44.6%
Computed income tax provision	79,552	53,106
Increase (decrease) resulting from		
Recognition of future tax assets		
previously allowed for	(93,660)	(66,872)
Non-deductible amortization	11,500	11,500
Other	2,608	2,266
Net provision for income taxes	-	-

The Company has non-capital losses for income tax purposes which may be carried forward to reduce taxable income in future years (subject to confirmation by income tax authorities). The losses expire as follows:

	2000 \$	1999 \$
2001	115,500	363,000
2003	6,000	6,000
2005	108,500	33,000
	230,000	402,000

Significant components of the Company's future tax assets as of October 31, 2000 are as follows:

	2000 \$	1999 \$
Operating losses carried forward at 44.6%	102,500	180,000
Tax values of capital assets in		
excess of accounting values at 44.6%	792,000	808,000
Capital losses carried forward at 44.6%	189,000	189,000
Investment tax credits carried forward	100,000	100,000
Total future tax assets	1,183,500	1,277,000
Valuation allowance	(1,183,500)	(1,277,000)
Net future tax assets	-	-

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Jack F. Senior, Chairman
President,
Speedi Gourmet Ltd.
Vancouver, B.C.

Gary G. Calderwood
President and CEO,
Perfect Fry Corporation

William O. Wright
President,
Guidance Financial Consultants
Wichita, Kansas

Gordon Sigurdson
President,
Harlan Fairbanks Co Ltd.
Winnipeg, MB

LEGAL COUNSEL

Fraser Milner Casgrain
30th Floor, 237 - 4 Ave SW
Calgary, Alberta T2P 4X7

OFFICERS

Gary G. Calderwood
President, CEO,
Secretary-Treasurer

Sharon L. Wyatt
Chief Financial Officer

AUDITORS

Dart Bryant
Chartered Accountants
404 - 13th Avenue NE
Calgary, Alberta
T2E 1C2

TRANSFER AGENT

Computershare Trust
Company Of Canada
600, 530 8th Ave SW
Calgary, Alberta
T2P 3S8

INTERNATIONAL HEAD OFFICE

615 71st Avenue SE
Calgary, Alberta, Canada
T2H 0S7
Telephone: (403) 255-7712
Fax: (403) 255-1725
1-800-265-7711
E-Mail: invest@perfectfry.com
Internet: www.perfectfry.com

INVESTOR RELATIONS

Gary G. Calderwood

STOCK EXCHANGE LISTING

Canadian Venture Exchange,
Symbol: PNM

As of October 31, 2000 there
were 9,788,648 shares issued
and outstanding.



PERFECT FRY

REPORT 2000

CORPORATION

PRINTED IN CANADA

